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FACILITATING TRADE

DRAFT GUIDELINES ON BETTER TRADE PRACTICES

Report prepared by

SITPRO, the Simpler Trade Procedures Board of the United Kingdom**

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DRAFT GUIDELINES ON BETTER TRADE PRACTICES

For technical reasons, the document is issued in two parts:

PART I:

Executive summary

A. Strategic overview
B. Best practice for traders

PART II:

C. Best practice for governments and their agencies
D. Best practice for international trade services
Appendix 1 - Aligned Series of documents
Appendix 2 - EDI

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PART C : BEST PRACTICE FOR GOVERNMENTS AND THEIR AGENCIES

13 THE ROLE OF GOVERNMENT

13.1 Government's Three Roles

13.1.1 Governments, whether they have privatised much of their country's infrastructure or the latter is still run by the public sector, have three roles in ensuring an open and efficient trading process.

- running, planning and developing a national economy,
- operating official controls on a day-to-day basis, and
- running a large business, which buys and sells goods and services.

13.1.2 The relative importance of each of these three components will vary from country to country, just as the amount of simplification already achieved will vary considerably. So it is not possible to propose a set of standard actions. It is, however, possible to give broad guidelines that can be refined and targeted once set against the actual situation in any country. These guidelines are set out in sections 6-8.

13.1.3 The objective for any government in any of these roles is quite clear - be effective, be efficient and be economic. There is a growing realisation that governments have customers, just as businesses do. Customer satisfaction is a high priority. In managing the national economy and operating controls effectiveness, efficiency and economy have to be considered in the overall framework, not just the individual cost elements to government.

14. FACILITATION AT THE NATIONAL LEVEL

Any government that wants to develop its country's foreign trade and see a substantial improvement in the efficiency of the trading process needs to take three policy decisions:-

- to consider trade facilitation issues when formulating trade and transport policy
- to ensure that trade facilitation work is co-ordinated at the national level and that government agencies play a pro-active role
- to participate in international work on international standards and trade facilitation

14.1 Trade and Transport Policy

14.1.1 Ignoring trade facilitation when developing national trade

and transport policies can be expensive. Setting trade promotion priorities for countries when there are inadequate transport links or financial services is inefficient. Having a policy to attract inward investment without offering the simplified formalities that go with these activities is a waste of national resources and time. Keeping port/airport storage charges at low levels may well congest ports with imports and make the shipment of the countries exports more difficult and expensive. Building new port facilities to relieve congestion when the actual constraint is poor port practices is a waste of money.

Guideline: **Governments should ensure that trade facilitation issues are taken into account when formulating trade and transport policies**

14.2 National Co-ordination

14.2.1 To achieve substantial improvements in the overall trading process requires a co-ordinated approach at national level. All significant participants in the trading process, public and private sector need to participate.

14.2.2 Customs and other relevant government agencies, central banks, inspection agencies, exporters, importers, forwarders, carriers of all modes, port/airport operators, bankers and insurers should all be represented.

14.2.3 UN/ECE/WP4's Recommendation 4 recommends that national committees on the facilitation of international trade procedures (FALPROs) should be established. A number are already in existence, especially in Europe.

14.2.4 For such committees to be successful, it is essential that they:-

- have senior governmental backing
- have adequate human and financial resources
- are independent to avoid the group being either dominated by one sector or being simply a pressure group
- use international standards already available (and take part in their development and maintenance)

14.2.5 Trade Points being developed under the UNCTAD Trade Efficiency Special Programme are invaluable laboratories where the practical functioning of international trade procedures and commercial practices may be examined and assessed. They should therefore work closely with the national facilitation committee.

Guideline: **It is recommended that national committees (FALPROs) are set up, where not already in existence, with a clear remit,**

- to eliminate red tape, in both public and private sectors,

- to encourage the use of best practice including information technology throughout the trading, distribution and payment processes, following international standards and

- to help to develop the skills of the people involved.

14.3 Facilitation Policy

14.3.1 A FALPRO's policy should be to work nationally, regionally and internationally to identify procedural bottlenecks in the international trade, transport and payment processes which affect its traders, and to analyse the issues and propose solutions based on advanced techniques. Increasingly achieving these goals requires a move from the current transaction-based procedural environment to one which is generally audit based. (Control based on periodic inspection of traders' records rather than on individual detailed consignment documents). Countries not yet at this stage will need to understand the implications of this new concept so as to ensure that any intermediate changes allow them to develop such control in the future.

14.3.2 It also requires the use of the appropriate international standards for information exchange so that the required business and administrative data can be supplied in an efficient, standard way.

14.3.3 For countries still basing control on individual transaction documents there are two objectives. Besides planning to move to audit based controls at some stage in the future, attention should be placed on getting traders to link their external documents with their in-house applications, such as sales order processing and accounts. The in-house use of computers and the external use of EDI makes this progressively simpler to achieve. These are all linked steps as countries and companies develop.

14.3.4 Communications is also an important issue. Is there an adequate range of communications media available, mail, telex, facsimile, courier services, E-mail and EDI? If not, what are the constraints? - lack of facilities, inefficiency, restrictive government telecommunications policy, purchasing etc. In 1919 a UK coal exporter used an aircraft to fly ships manifest to mainland Europe because of major delays to his coal ships caused by the poor communications left after the First World War. (Eventually the aircraft carried passengers as well - to fill the empty seats and reduce costs!).

14.3.5 Any country, however short of resources, can make immediate use of EDI. Communicating ship/aircraft manifests by EDI, in a format, acceptable to both public and private sectors, can provide immediate advantages. Lack of telecoms

equipment can make this difficult. As mentioned in section 3.3 the objective of trade facilitation is to get the information to the importing country before the goods. Fax, telex and E-mail can do that as well as EDI, but not in a processable form without re-keying into another system, which will cost time and lead to increased errors.

14.3.6 It is becoming increasingly apparent that legal and commercial practices are not well adapted to the use of EDI. The implementation of the best practice principles of trade facilitation and the use of information technology will be constrained unless these existing legal and commercial constraints are revised to take account of current developments, eg. acceptance of paperless trading, electronic payments and authentication.

14.3.7 A further key issue that needs to be dealt with as a national co-ordinated activity is the question of whether national practices have been adopted to cope with container and trailer transport. This is not only a question of official controls but also the associated commercial practices. For example, it is pointless to sell goods FOB (free on board) named port, when the goods are loaded into a container at an inland depot, because a tally will no longer take place on loading on board ship.

14.3.8 In order to obtain the maximum benefit from container and trailer transport three things are needed:-

- the ability to carry out customs clearance at the place where the transport unit is loaded/unloaded, ie. the factory/warehouse for full loads or approved inland depots for part loads,

- transport operators, who provide traders with the required services; factory to factory; depot to depot; port to port etc under one contract of carriage; and

- a document and procedures system to match the above.

14.3.9 This is a very important subject, which has transport policy implications, and government may wish to review its national transport policy before bodies, such as a national FALPRO, deal with further individual elements.

14.3.10 It is natural that the emphasis on simplification should be on export procedures and documents. One of the prime roles of the exporter is to provide accurate, timely information for the trade, transport and financial service suppliers used, so that they can provide the services they have been contracted to supply. The exporter also needs to ensure that all necessary official controls have been carried out.

14.3.11 There are, however, two significant reasons to look at import processing changes as well. One is congestion at

ports and airports - a problem not necessarily solved by modern techniques, the other the need to provide simplified procedures to match policy plans, such as inward investment.

14.3.12 The most obvious symptom of information inefficiency is port/airport congestion. Sometimes the prime cause of congestion can be the lack of physical facilities but far too often it is simply a physical reflection of the inability of the information systems to cope. Shed and container park congestion are invariably caused by problems with imports. In turn this will delay exports or a least create excessive extra handling charges.

14.3.13 On container and ferry trade congestion is often caused because clearance practices have not been updated from the old, leisurely, cargo liner days when a ship could take 10 days to discharge, allowing the paperwork to catch up. In the majority of cases, however, the paperwork is not available to start the clearance processes especially if controls can only be carried out when the original documents arrive.

14.3.14 The growth in global sourcing means that many components or materials for an export product have to be imported first for use in the production process. Simplified procedures for temporary importation need to be developed to save unnecessary complexity in this link between importation (with deferred duty payment) and re-export.

14.3.15 Many countries are trying to increase their exports, in some cases by making manufactured or semi-manufactured goods for export. These, unlike raw material, generally move in small consignments or by container, road trailer or general cargo liner vessels. The exporter will have to compete on speed and reliability of delivery as well as price and quality. In practice exporters, particularly those making goods to order such as textiles and footwear, will want the consignment to catch the next available departure, and commercial and official procedures must be streamlined to allow such quicker movements.

14.3.16 In the export part of any international transaction a good deal of the information for the whole of the communication chain between seller and buyer has to be generated by the exporter and fed into the system before the goods in question can leave the country of origin.

14.3.17 Some information is necessary to book and pass the goods to the carrier and secure movement to the port. Consular authentication, quality inspection, and export licensing will be needed before this stage, together perhaps with a certificate of origin from the appropriate Chamber of Commerce. Certain documents will be necessary to secure entry for the goods into the port, to pass through any intermediate warehousing, to

direct the goods to the right vessel, to secure custom clearance to validate the necessary insurance arrangements and to pay various charges.

14.3.18 All these requirements will have to be met before the goods can be loaded. In an increasing proportion of world trading the time interval available between the allocation of the goods in a factory to a particular transaction and the physical point of acceptance onto the chosen vessel is very short indeed. Yet this time often has to accommodate some very complex documentation and procedures.

Guidelines: **Traders can be assisted in carrying out this part of their work in two ways:**

- **simplifying, co-ordinating and standardising port management, shipping lines, customs reception and release procedures and documents between the various ports/airports/container depots in a country so that they can develop one basic set of export procedures for all exports by sea and air and will only have to train staff to understand and operate one system; and**

- **developing an aligned export document system, for both paper documents and their electronic equivalents.**

14.4 Representation

14.4.1 In dealing with procedural bottlenecks that affect a country's traders, national action is often not sufficient and regional and international work is also necessary. Besides the appropriate regional bodies, the two key international organisations are the United Nations (UN) and International Organisation for Standardisation (ISO). The UN work has been focused through the UN Economic Commission for Europe's Working Party on the Facilitation of International Trade (UN/ECE/WP4) and the UNCTAD Facilitation Unit (FALPRO) now part of SPTE. Since Cartegena UNCTAD's work is now concentrated on its Special Programme for Trade Efficiency (UNCTAD/SPTE). Other significant international activities include the Customs Co-operation Council (CCC), the International Chamber of Commerce (ICC) and various commercial and transport organisations.

14.4.2 National policy should be to represent national facilitation interests, with the support of government, in bilateral, regional and international negotiations.

15 ADMINISTRATIVE OPERATIONS

15 Principles

15.1.1 Government needs to ensure that all its departments and agencies take a pro-active role in facilitating trade. It may be worthwhile to hold briefing seminars to ensure all are aware of the need for improving the efficiency of the overall process.

15.1.2 It might be appropriate for the overall management of these activities to be undertaken within the Trade Ministry. Some countries have placed overall control in the Prime Minister's Office. A national plan should be developed with objectives and performance targets.

15.1.3 Each department/agency should ensure its plans reflect trade facilitation objectives, as well as those on control.

15.1.4 The basic objective of all government operations (including Central Bank) should be that necessary controls should have the minimum impact on the trading process. In most cases control should be undertaken before or after the physical movement of the goods rather than during transit. The use of audit techniques should be encouraged so that controls can be carried out by periodic inspections, or audits, of traders records.

15.1.5 Where controls are undertaken during the movement of the goods maximum use should be made of commercial documents rather than requiring the creation of separate official forms, and any physical controls should be undertaken where the goods are being handled for commercial purposes. Therefore break-bulk and bulk goods should be controlled at the port/airport; groupage goods where the groupage transport unit is loaded/unloaded (inland depot or groupage operators premises) and full container loads at traders' premises.

15.1.6 Controls undertaken should follow the appropriate international standards.

15.1.7 All documentary requirements should follow the national aligned system when developed, the FALPRO organisation being given the responsibility to check conformance of each document/electronic message against the national system.

15.1.8 The rest of this section deals with individual aspects of official control. Key points in terms of recommended best practice are highlighted.

15.1.9 More detail is contained in UN/ECE/WP4 Recommendation No 18 - "Facilitation measures related to international trade procedures (ECE/TRADE/141/Rev 1 September 1982, in twenty two other UN/ECE/WP4 Recommendations addressed to governments, to international governmental and non-governmental organisations and those involved in

international trade operations, and in a wide range of international Conventions, Recommendations, Standards, Recommended Practices and Guidelines developed by various inter-governmental and non-governmental organisations.

15.1.10 A 'Compendium of Trade Facilitation Recommendations' is being prepared by UN/ECE/WP4, to cover the above, in co-operation with the UNCTAD Special Programme on Trade Efficiency, for submission to the United Nations International Symposium on Trade Efficiency to be held in October 1994.

15.1.11 The subjects covered below are:-

- Licensing
- Exchange control
- Consular formalities
- Origin statements
- Pre-shipment inspection
- Dangerous goods
- Customs and other official procedures
- Statistics

15.1.12 In some countries activities such as marine insurance and port operations may be carried out in the public sector. Guidelines on these activities are set out in Part D "Guidelines on Better Business Practice - Business Services".

15.1.13 Any country's policy on standards should be to give priority to the development, use and maintenance of a national series of aligned export document based on the UN Layout Key for Trade Documents (see Appendix 1) and of the global Electronic Data Interchange (EDI) standard UN/EDIFACT (see Appendix 2).

15.1.14 Priorities in procedural improvements should be identified by a study to identify:-

- where bottlenecks to efficient trading are
- what causes them.

15.1.15 Care must be taken to find the real cause of bottlenecks, not that necessarily recounted by local participants. In a study several years ago inward congestion was blamed on "customs clearance". In fact, whilst the customs procedures had been outdated by transport developments, and were slow, they were not the prime cause. This was the inefficiency of state import

agencies and high import duties, which meant commercial importers did not submit the customs entry until they had sold the goods. Congestion led to excessive amounts of stored goods and increased pilferage. This was 'rectified' by increased 'controls', which led to more confusion, cost etc.

15.2 Licensing

15.2.1 Most countries require export licences to be issued for some restricted or sensitive goods before they can be shipped. In these cases an export licence application has to be prepared, submitted and processed and an export licence issued. This licence is then checked by customs when processing the export customs entry.

Guideline: It should be a straightforward process for exporters to obtain licences for acceptable exports of such products. Once a licence is issued control should be linked to routine export controls (eg. customs clearance).

15.3 Exchange Control

15.3.1 Many countries operate exchange control procedures on exports to ensure that moneys due to exporters for their goods are remitted to that country in accordance with its exchange control regulations. Similar procedures are operated with import transactions. The need for such controls generally is part of fiscal policy. Copies of these forms are generally processed by customs, the Central Bank and the commercial bank. Most countries set minimum value levels under which no approval is required. Exchange control procedures can be very complex and time consuming. Although such procedures do not generally affect port operations - except where booked cargo does not arrive because of unexpected delays - they can affect efficient exporting.

15.3.2 In some countries it is compulsory for payment of exports to be effected through documentary credit, as a means of ensuring receipt of foreign export earnings through the intermediary of the banks involved. With the changing pattern of payment arrangements, this requirement tends to preserve the use of documentary credits where other methods of payment could more sensibly be employed. Where possible other, cheaper and more effective, methods of payment should be used.

15.3.3 The need for exchange controls does not mean that the current rules in place are necessarily in the best interests of the country concerned. All too often exchange control regulations stipulate rules that pre-date the latest container and other transport developments and build in delays, the cost of which is ultimately paid by the buyer. There are notable examples of countries rationalising their exchange control rules in line with modern trade and transport without weakening their ability

to defend the country's financial resources.

Guideline: Exchange control practices should be brought up to date and simplified. Control should be carried out by the commercial bank (on behalf of the Central Bank) on the basis of commercial documents. Minimum value levels should be realistic.

15.4 Consular Formalities

15.4.1 Consular invoices are required by a few remaining importing countries and are authenticated by their consular officials in the country of export. A consular invoice usually confirms that the exporting company is a bona fida foreign trade enterprise and that statements concerning the commodity, price, total invoice amount, insured value (if any), place of despatch, number of packages and weight of the goods are correct. If satisfied, the Consulate adds its visa and charges a fee to be paid by the exporter.

15.4.2 Most of the details of a Consular invoice may already be found in the Commercial Invoice and the intervention of a Consulate therefore has little justification; it creates delays and extra costs which are eventually reflected in the price paid by the consumer in the importing country. The elimination of such Consular invoices would lead to a significant reduction in the cost of imports.

15.4.3 With the increased pace of international trade it is increasingly difficult to carry out the necessary procedures before goods arrive at destination. Delays can therefore occur and financial penalties can be imposed.

Guideline: Consular invoices, consular visa requirements and consular fees should be abolished.

15.5 Origin Statements

15.5.1 Declarations or certifications of origin on commercial invoices or on specific forms should be required only where this is essential for the proper application of trade policy measures or for the prevention of fraud. When such declarations or certificates are deemed indispensable, the competent authority should apply a simple measure that provides the minimum of control considered as sufficient for the particular case. Preferably, an exporter's declaration of origin on the Commercial invoice should be accepted. If a separate form for Certificate of origin is required, it should be based on defined criteria and designed in accordance with the model contained in Annex D.2 of the Kyoto Convention. It should be permitted to produce certificates on plain paper in a one-run system using a photocopier; printing of forms on security paper should not be required.

Guideline: Where they are deemed necessary, controls of origin should be carried on the basis of the relevant commercial documents.

15.6 Pre-Shipment Inspection

15.6.1 Exporters often face a number of pre-shipment inspections where the quality, quantity, and sometimes the value of the goods are checked. These can be carried out for such purposes as excise control, customs control, inter-state and national border controls, government quality inspection (perhaps linked with export incentives) and overseas government requirements. If these inspections are not reduced where possible, simplified and co-ordinated considerable delays occur and exporters find it difficult to match production and sailing schedules and to quote competitive shipment dates to their customers.

Guidelines: **The practice of pre-shipment inspection, carried out on behalf of the importing country, should be discouraged. Where carried out, governments should seek to simplify them. Random sampling techniques and periodic inspections for regular, approved exporters should be used.**

15.7 Dangerous Goods

15.7.1 Procedures relating to the movement of dangerous cargoes are naturally more stringent than those for ordinary consignments. In nearly all cases carriers require prior notification from the exporter or carrier before they will accept certain classes of dangerous goods.

15.7.2 When dangerous goods are received by shipping companies they are checked and the necessary authority to receive the cargo (eg. port authority) and to load it (eg. shipping company) obtained. The exporter or his agent is then advised of the time and place at which the goods are to be delivered.

15.7.3 One problem with dangerous cargo is often the checking of the documentation of groupage trailers and containers to ensure that all dangerous cargoes and their contents had been declared.

15.7.4 Another problem is that the regulations for the carriage of dangerous goods are developed on a different basis in some countries, using different numbering systems and declarations. Add to this the fact that in many cases each interest in the goods movement asks for his own dangerous goods declaration to be completed and one can see that the exporter has some difficulties in establishing the correct procedures for documenting and handling these cargoes.

15.7.5 Attention is drawn to UN/ECE/WP4 Recommendation 11, which sets out methods of documentation and of providing transport emergency information for dangerous goods.

Guideline: **National regulations should conform to the relevant international standards. Wherever possible the dangerous declaration should be incorporated in, or combined with, an existing commercial document;**

which should be part of the national aligned document system.

15.8 Customs and other Official Procedures

15.8.1 Government requirements, and the documentation and procedures which stem from them, have various aims and the facilitation of trade is probably not their primary purpose. All government documents and procedures should therefore be kept under regular review. This in no way questions the validity of the fiscal, protective, trade control and health control necessary for government to carry out its business.

15.8.2 Customs administrations tend to be responsible for operating a wide variety of measures on behalf of other governmental departments. Besides collecting duties and taxes they may enforce exchange control regulations and import and export prohibitions; apply provisions to imported goods; ensure compliance with certain public health regulations; compile overseas trade statistics and, may collect certain agricultural levies.

15.8.3 Acceptance by customs of the need to facilitate trade in no way relieves traders of their obligation to make accurate declarations for goods. They still need to meet the necessary detailed customs requirements for information and documents. In many countries customs are now willing to accept electronic, telex or faxed information, and will release imported goods accordingly. Nevertheless, errors by importers continually hinder the swift clearance of goods. Errors include omissions of essential information, incorrect statistical classification, and failure to produce supporting documents. Full use of aligned systems and EDI should ensure reduced error rates.

15.8.4 Customs objective should for both export and import clearance to increasingly be undertaken at the trader's premises, subject to movement and 'approved' trader status. Existing or simpler customs documentation linked to audit based controls give the opportunity to examine radically how official procedures can be changed.

15.8.5 The Harmonised System was created to meet a vital and pressing need for single classification system which would respond to the basic commodity description and coding requirements of the entire international trade community. 60 countries and 1 customs or economic union currently use the H.S for official customs purposes, which accounts for over 85% of world trade. However, one of the basic objectives of the H.S, with its multi-purpose features, is to apply the classification code outside the customs environment and ensure its wider application, ie. not only by customs or statisticians but also by trade interests such as traders, carriers and producers.

Guideline: Customs authorities should simplify their requirements for export, transit and import

procedures in line with the International Convention on the Simplification and Harmonisation of customs procedures (Kyoto Convention of the Customs Co-operation Council). This should be undertaken with national trade and transport interests to ensure full co-ordination of carrier, port and customs controls.

Customs authorities should ensure that:-

- their forms are aligned to any national system of aligned export documents;

- the data content is kept to the minimum essential with their then current requirements;

- the number of different formats of shipping bill is reduced to the minimum possible;

- they accept copies of commercial documents to provide proof of export and for other pre-shipment controls (particularly where the main function is to provide trade statistics), collecting statistics after the goods have been loaded by customs entry or periodically submitted paper or computer or EDI produced customs schedules;

- they and port/airport interests accept copies of commercial documents - or EDI messages - from shipping and airlines rather than requiring the information to be transcribed onto their own forms. (eg, following IMO and ICAO facilitation conventions).

15.9 Statistics

15.9.1 A certain level of statistics is acknowledged as necessary in both public and private sectors. In too many cases, however, statistical demands are over detailed, duplicated and sought at an inappropriate time. On occasion it appears that the statistics become more important that the actual trade transaction.

15.9.2 The need for traders and their service providers to have to prepare separate detailed statistical forms, and the timing of this requirement, can delay the movement of goods. Whilst transaction based documents are required, either commercial documents or the customs entry, should be used. Some countries, especially on exports, operate system where statistics are collected after shipment.

15.9.3 The use of periodic schedules for approved traders, either on paper or preferably by EDI, speeds up both traders' and customs/statistical office processing. Experience also shows that scheduling greatly reduces errors - dropping from 30% to about 2%.

Guidelines: International trade statistical requirements should be reviewed periodically in order to restrict the

information called for to a minimum and to ensure it is collected at a time that causes the minimum delay to goods movements. Periodic scheduled returns should be used where possible, preferably via EDI.

Government should operate a simple interface with traders, ensuring that statistical demands are not repeated by different departments/agencies.

16 GOVERNMENT AS A BUSINESS

16.1 Where government acts as a business, buying or selling goods or services, it should act like a commercial operation. Its objectives will be to provide goods and services to the satisfaction of the "customer" and to purchase efficiently at the minimum overall cost.

16.2 In providing goods and services, operations should be developed to meet user needs in terms of quality, speed and price.

16.3 In purchasing, the minimum stock should be held.

16.4 In both cases normal standard commercial sales and purchasing procedures and documents should be used. The use of EDI should be developed at the same time, changing practice as the opportunity exists. (For example, a major UK store and overseas clothing manufacturer have revised procedures, introduced EDI and reduced the order-make-deliver cycle from 20 to 10 days - thus reducing stock holding with significant savings. Most governments are major purchasers).

Guideline: In buying or selling goods and services government departments should use commercial best practice to maximise their efficiency. Standard commercial documents, EDI messages and procedures should be used wherever possible.

PART D : BEST PRACTICE FOR INTERNATIONAL TRADE SERVICES

17 THE ROLE OF INTERNATIONAL TRADE SERVICES

17.1 The prime function of international trade services is to supply services to their clients, mainly to the exporter and importer, but sometimes to each other. The services provided should be effective, efficient and economic.

17.2 As indicated in section 2, if enterprises are to compete successfully in the global market place they have, amongst other things, to strengthen their relationships with their trading partners. International trade services are the cement that can help join buyers and seller into closer relationships. Especially where new companies or less developed countries are moving into international trade.

17.3 In these cases either experienced service operators can provide significant expertise or, will need to be developed and operated, with the added requirement of staff training.

17.4 In the real world of international trade most traders will use several ports, airports, banks, shipping and airlines, road/rail operators. In some cases the decisions of which service to use may be taken by each customer.

17.5 Therefore one of the main responsibilities of international trade service providers is to follow international or national standards, especially with documents, so that the traders only have to train staff to operate a single set of common procedures. This still leaves service operators to compete with each other on the quality, speed, reliability and price for the services. (A concept well recognised by airlines for many years).

Guidelines:

All companies supplying international trade services should simplify their services as far as possible and use international standard practices and information standards such as the UN Layout Key for Trade Documents and UN/EDIFACT EDI standards. Where appropriate, national standards should also be followed so that their documents can be part of national aligned systems. (See Appendix 1, Annex 2 to see an example of the range of documents within a national system).

17.6 It is impossible to draw up a definitive list of services provided by international trade service suppliers. They can, however, broadly be dealt with in three groups; advisory services, transport services and financial services. Even here there is some overlap as, for example, one of the key roles of banks is to provide advice on financing and paying for international trade.

17.7 Other examples of advisory services include government departments such as those providing export promotion services and trade statistics; Chambers of Commerce, export groups, training institutes, trade associations and

facilitation bodies.

Guidelines: Advisory services to traders should be co-ordinated to avoid duplication and increase effectiveness.

17.8 'Transport' services covers an enormous area and includes road haulage operators, container bases, airports, port authorities and services and international carriers of all modes. They also include official interventions in the movement of goods such as customs and health administrations. Here the main consideration in making the trade process more efficient, besides the use of international standards, is to ensure that 'transport' services are properly co-ordinated at the key 'nodes' of trade such as ports, airports, container bases and frontier posts.

Guidelines: co-ordinate all 'transport' service activities as set out in section 6.3.

17.9 The third group of services are financial. These range from companies providing credit status reports, through banks and other financial institutions, to export credit and maritime/air insurers.

17.10 Besides using international standards in their documentary links with their customers, financial service suppliers need to ensure that the services they supply continue to meet the ever-changing needs of international trade. This is not easy, especially when older trade practices prevail, but banks, like customs administrations, have the ability to set new standards and should do so wherever possible.

Guidelines: Financial services should be reviewed periodically to ensure use of current best practices.

17.11 A final point to be made at the overall level is about public service provision of those international trade services more commonly associated with the private sector, such as ports, transport services and insurance.

17.12 It may be that embryo services are being developed in the public sector, protected from international competition. Experience sometimes shows that such protected operations are relatively inefficient, either providing limited services or charging higher prices.

17.13 At the level of trade and transport policy government will often have to decide what is more important nationally, developing an open and efficiency trading process to help local enterprises compete successful in the global market place, or maintaining protected services.

Guideline: International trade services provided by the public sector should provide competitive customer services and be effective, efficient and economic.

17.14 The final two sections of this paper look at transport and

financial services to international trade in more detail.

18 TRANSPORT SERVICES

Two of the key 'transport' documents at the start of an international trade transaction are the consignment (or shipping) instruction and the shipping note. The former starts the process of both goods movement and document creation by telling the recipient (freight forwarder or carrier) what is to happen to the goods, what processes should be covered and what documentation raised. The latter provides full information about the goods, their handling and routing when delivering goods to an inland depot, port or airport.

18.2 Both these documents should be multi-functional and suitable for all modes of transport. This allows the exporter only to have to produce two standard external documents if he is leaving other transport and official documents to be prepared by a freight forwarder or carrier. The use of standard documents also improves the efficiency and quality of port/airport and related services.

18.3 The consignment instructions should follow UN/ECE/WP4 recommendation 22 "Layout Key for Standard Consignment Instructions" and cover the functions of:-

- movement and handling of goods
- customs clearance and duty payment
- distribution of documents
- allocation of freight and other charges
- special instructions eg. insurance, dangerous goods etc.

18.4 The shipping note (and its dangerous goods equivalent) can be used as a document on which information is built up as the goods are received, stored and re-loaded for export. Thus it can cover functions required by the

- road carriers
- port authority
- shed/container terminal operator covering both condition of goods upon receipt and despatch and charges
- international carrier

Guidelines: **Multi-purpose shipping notes and consignment instructions should be developed as part of national aligned systems.**

18.5 In maritime transport one of the most important best practices developed in the last twenty years has been the concept of offering traders non-negotiable waybills as

alternatives to negotiable bills of lading. This concept started when European/Scandinavian carriers discovered, with the advent of container ships, that the containers arrived up to a week before the bill of lading, the original(s) of which had to be handed back to the carrier at the discharging port before the goods could be released. Switching concepts is not entirely straight forward as historically the bill of lading original has acted as the control document with letters of credit. However non-negotiable maritime documents are now acceptable under the latest ICC rules (and in any case most of the world's trade is not handled by letter of credit).

Guidelines:

Shipping lines should offer traders non-negotiable documents, as an alternative to negotiable bills of lading, based on UN/ECE/Recommendation 13 : Maritime transport documents.

18.6 To make maximum use of the latest transport technologies and best practices, it is obvious that all relevant procedures and documents have to be reviewed and revised. Traders often clamour for official controls to be amended, to be able to do customs clearance inland on sealed containers and trailers. The service provided by the 'transport' industry has to change too.

18.7 Combined (multi-modal-) transport services needs to be developed and offered; services need to be able to operate under combined transport conditions, government procedures on national transit and temporary importation of transport units and vehicles needs to be updated etc. The old transport industry structure of many services, all providing a single service to the trader, needs to change as much as official practices.

Guidelines: Commercial and official practices need to be revised as countries develop container and trailer transport services.

19 FINANCIAL SERVICES

19.1 The role of banks in trade facilitation falls under at least four different categories:

- the contractual framework - the development by the ICC of common rules for letters of credit, documents sent for collection,
- the provision of credit information on potential customers and updating this information regularly on continuing trading partners
- the provision of finance on a cost effective and flexible basis, often linked to export credit insurance cover

- the provision of international cash management services to speed the payment of sales proceeds to the required account in the specified currency.

19.2 International cash management services include:

- the planned location of accounts for international money transfer and currency bookings

- the choice of efficient international money transfer methods depending on the amounts, currency and costs involved

- the use of collection accounts for the regular receipt of proceeds from a number of customers in anyone country

- direct collections of trade documents

- means of managing the exporter's foreign exchange risks.

19.3 Part of the decision on methods to be used is the speed at which money can move through the banking system for the exporter to obtain prompt receipt of export proceeds.

19.4 Methods of payment are often inefficient because of government imposed exchange control regulations, because traders are trying to over protect the payment or because traders are not fully conversant with the implications of each method.

19.5 This is particularly true with letters of credit. A recent UK survey "Exporters' Problems with Commercial Letters of Credit" showed that nearly half of the credits studied in the survey contained serious defects or errors.

19.6 The report concluded that the letter of credit process was complex and potentially expensive - especially with low value consignments, particularly if not properly planned, managed and operated by the commercial parties. This was not considered surprising, with the high reliance on manual processing by all parties and the number of times data can be rewritten or rekeyed at separate states in the process.

19.7 One finding is worth repeating

"Not only did issuing banks (the buyer's bank) appear to change or add conditions to the credit, usually without advising the applicant, some banks, especially in less developed countries, persist in out-of-date restrictions on documents and procedures which have been commonly accepted elsewhere for some time. Combined, in some cases, with badly designed forms and the lack of international standards it is not surprising that the survey showed that the bulk of defects and errors originated at the stage of processing the applicant's application for the credit and issuing the credit document itself".

Guidelines:

Commercial payment procedures associated with letters of credit and documentary collections should be reviewed to ensure that they follow current trade/transport requirements and use best practice. The objective is to be that processes do not hold up the efficient movement of goods or payment.

Express money transfer systems, which reduce payment 'float time' to the minimum, should be introduced and encouraged.

19.8 Insurance for goods moving in international trade normally involves the notification to an insurer of the consignment and its insured value and the issue of an insurance certificate and/or an insurance policy. Insurance can either be arranged on a consignment basis, or for period of time under so-called "Open cover policies".

19.9 Cover provided can vary between "minimum cover" or "all risks cover". The best known examples of cover are the Institute Cargo Clauses drafted by the Institute of London Underwriters. Clause A on "all risks" and Clauses B and C on less extended cover).

19.10 According to the ICC, in 1991 seller or buyers in more than 40 countries could be compelled to take out insurance in their own country to minimise expenditure in foreign currency and/or support a domestic insurance industry.

19.11 Insurance documents should be included in national aligned systems.

19.12 Marine insurance is a complex business, traders should seek assistance from professional advisers to ensure they are adequately covered as reasonable cost.

Guidelines:

Cargo insurance procedures should be simplified. The 'open cover' concept should be used whenever possible. Insurance certificates and policies (when issued for individual shipments) and insurance declarations under open cover should be part of the national aligned document system.

20 COMMUNICATIONS SERVICES

20.1 A wide range of communications media are now available including letter post, air parcel, courier services, telecommunications, facsimile, and telex.

20.2 For the purposes of EDI value-added network services (VANs) are third-party network providers. Other options are dedicated telecommunications connections (ideal if high volumes of EDI with a single trading partner); and private networks.

20.3 VANs provide

- an electronic postal service based on 'store and forward' (for EDI and E-mail)
- security and audit facilities
- support for the major communications protocols
- 24 hour service
- groups of EDI users
- national and international coverage

20.4 Because of the number of participants in international trade, and because it is international, participants will almost certainly be using different VANs. To achieve full commercial links with customers and suppliers users will require VANs to interconnect with each other. They will expect service suppliers to provide the security levels and end-to-end audit capability required.

Guidelines: VANs need to interconnect, so that traders can contact all their customer/suppliers. Levels of security and end-to-end audit should be provided to meet commercial requirements.

National Aligned Series of Export Trade Documents

Introduction

The purpose of this paper is to explain the benefits of using aligned systems to produce export documents. Aligned forms are a series of forms so designed that items of information common to all forms appear in the same relative positions on each system.

Aligned systems are national series of commercial, transport, financial and official export documents developed to be produced from a single master document. The system is based on the UN Layout Key for Trade Documents.

How the System Works

Individual groups of forms can be produced in simple one typing sets using NCR (no carbon required) technology. Only a single typing has to be checked before shipment.

The full range of documents can be produced from a Master Document (which specifies the position to be occupied by individual items of information on each aligned form). As much information as possible can be added to the Master Document for each consignment and carefully checked. See UK example in Annex 1.

The information, and the forms, can then be prepared mechanically using a photocopier and overlays, or as computer output to laser printers on EDI messages.

The great benefit is that all systems, from the simple multi-part form to sophisticated laser or EDI output, uses the same standard building blocks or data elements. The system is therefore usable by small and large traders as a stand-alone operation or integrated into in-company order processing, stock control and accounting programs.

With overlay systems each overlay represents and produces a specific export document. It is a transparent plastic folder printed with individual export document designs and solid white masking areas where applicable.

The completed Master Document is inserted into the overlay. Using a plain paper copier will now produce the completed document. Using different overlays the exporter can produce all his export forms. The current list of documents in the UK system are shown in Annex 2.

The next option is a computer software package to process information relating to export shipments. Documents can then be printed onto continuous stationery, onto cut sheets or sets or via a suitable laser printer. Ideally such packages provide links allowing shipment data to be transferred to or from other applications. Data should also be able to be output to an EDI

module which can produce standard UN/EDIFACT messages.

The Benefits of an Aligned System

The main benefits are:-

- cuts costs
- increased accuracy
- greater efficiency

On costs studies in the UK showed saving of about 50% of traders costs in document preparation (savings of around £40 per consignment) when using the overlay systems. Interestingly the savings for smaller firms (up to 200 employees) were higher than for larger firms. Computer systems are significantly more cost effective.

An aligned system reduced error because only one document is prepared, in a single operation, and multiple forms checking is eliminated. Increased accuracy means all documents provide identical shipment details, with fewer misunderstandings and delays.

Greater efficiency is possible because such systems save time, allow easier training of staff and produce quality documents to agreed international guidelines.

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MASTER DOCUMENT

ANNEX 1

UNIC

Exporter VAT no.

Invoice no.

Customs reference/status

Invoice date

Carrier's bkg no.

Exporter's reference

Buyer's reference

Forwarder's reference

Consignee VAT no.

Buyer VAT no.

Freight forwarder VAT no.

Country of despatch

Carrier

Country of destination code

Country of origin

Country of final destination

Other UK transport details

Terms of delivery and payment

Vessel/flight no. and date

Port/airport of loading

Port/airport of discharge

Place of delivery

Insured value

EUR 1 or Cert Of Inmarsys

Shipping marks: container number

Number and kind of packages; description of goods 1

Item no.

Commodity code

Quantity 1

Gross weight (kg)

Cube (m3)

Procedure

Net weight (kg)

Value (£)

Summary declaration/previous document

Commodity code

Quantity 2

Gross weight (kg)

Cube (m3)

Procedure

Net weight (kg)

Value (£)

Summary declaration/previous document

Commodity code

Quantity 2

Gross weight (kg)

Cube (m3)

Procedure

Net weight (kg)

Value (£)

Summary declaration/previous document

Identification of warehouse

FREE DISPOSAL

Invoice total (state currency)

Total gross wt (kg)

Total cube (m3)

Refer to IMDG, ADR, IATA, CNI and UK regulations as appropriate and identify proper shipping name, hazard class, UN no., transport dog C

MI
AL
DX3)

Freight payable at

Signatory's company and telephone number

Number of bills of lading

Original

Copy

Name of signatory

Place and date

Signature

3. THE DOCUMENTS - HOW AND WHEN TO COMPLETE THEM

List of documents

Document	Copyright Owner	Alignment	Plain paper or preprinted	Page No.
Master Document	SITPRO	Alig	Plain	37
Proforma Invoice	SITPRO	Alig	Plain	39
Invoice VS	SITPRO	Alig	Plain	41
Invoice VS - Completed	–	–	–	42
Invoice VS Continuation	SITPRO	Alig	Plain	43
Invoice VSL	SITPRO	Alig	Plain	45
Forwarders Invoice	SITPRO	Rec	Plain	47
Combined Invoice and Certificate of Value and Origin	Text: Nat.Govt	Rec	Plain *	49
Zambia Certified Invoice	Govt.of Zambia	Alig	Plain	51
Credit Note	SITPRO	Alig	Plain	53
Charges Advice	SITPRO	Rec	Plain	55
Works Order	SITPRO	Alig	Plain	57
Acknowledgment of Order	SITPRO	Alig	Plain	59
Packing List VS	SITPRO	Alig	Plain	61
Packing List Continuation	SITPRO	Alig	Plain	63
Packing List VSL	SITPRO	Alig	Plain	65
Collection/Delivery Order	SITPRO	Alig	Plain	67
Export Cargo Shipping Instructions (ECSI)	SITPRO	Alig	Plain	69
Export Cargo Shipping Instructions Continuation	SITPRO	Alig	Plain	71
Standard Shipping Note	SITPRO	Alig	Print *	73
Standard Shipping Note - Completed	–	–	–	74
Dangerous Goods Note	SITPRO	Alig	Print *	75
Dangerous Goods Ro-Ro	SITPRO	Alig	Print *	77
IATA Shippers Declaration of Dangerous Goods	IATA	Alig	Print *	79
Shipping Specification and Continuation Sheet	SITPRO	Alig	Plain	81
Certificate of Shipment	SITPRO	Alig	Plain	83
Despatch Advice	SITPRO	Alig	Plain	85
House Bill of Lading	SITPRO	Alig	Plain	87
P&O Bill of Lading for Combined Transport	P&O/ICS	Alig	Print	89
Common Short Form Bill of Lading	C of S	Alig	Plain	91
Non-Negotiable Sea Waybill	C of S	Alig	Plain	93

Alignment

- **Alig** - Invariably SITPRO aligned
- **Allw** - SITPRO format acceptable instead of the usual form
- **Rec** - SITPRO recommended format
- **Plain** - Can be produced by copier, or by laser printer, single sided on plain paper
- **Print** - Preprinted stationery must be used

* Special conditions apply - see Section 3 ** Reproduced by permission of HMSO

List of documents

Document	Copyright Owner	Alignment	Plain paper or preprinted	Page No.
House Air Waybill	IATA	Alg	Plain	93
FIATA BB of Lading	FIATA	Alg	Print	97
FIATA Forwarders Certificate of Receipt	FIATA	Alg	Print	99
BA Air Waybill	BA	Rec	Print	101
CIM Rail Consignment Note	Carrier	Rec	Print	103
CMR Road Consignment Note	SITPRO/FTA/RHA	Alg	Plain	105
A-BCC Certificate of Origin	A-BCC	Alg	Print	107
South Africa DA 59	Govt. of S.Africa	Allw	Plain	109
EC Certificate of Origin	EC	Alg	Print	111
EUR 1 Movement Certificate	EC	Alg	Print *	113
A.TR.1 Movement Certificate	Crown	Alg	Print *	115
C88 SAD	EC/Crown	Alg	Plain **	117
C88 SAD - Completed	–	–	–	118
C88 SAD Continuation	EC/Crown	Alg	Plain **	119
T5	EC/Crown	Alg	Print **	121
T5 B/S	EC/Crown	Alg	Print **	123
C448	Crown	Alg	Print **	125
C88 CAP/SAD	EC/Crown	Alg	Print **	127
C88 CAP Continuation	EC/Crown	Alg	Print **	129
INTRA EC Trade Statistics	EC/Crown	Alg	Print **	131
Foreign Bill and/or Documents for Collection	BBA/SITPRO	Allw	Plain	133
Additional Copy Doc. Coll with Bill of Exchange	BBA/SITPRO	Allw	Plain	135
Foreign Bill and/or Documents for Collection Girobank	BBA/SITPRO	Alg	Print	137
Bank Collection/Direct Send A. Midland	Midland/SITPRO	Alg	Plain	13
Bank Collection/Direct Send B. Barclays	Barclays/SITPRO	Alg	Plain	141
Bank Collection/Direct Send C. Lloyds	Lloyds/SITPRO	Alg	Plain	143
Bank Collection/Direct Send D. Nat. West	Nat West/SITPRO	Alg	Plain	145
L.O.C. Presentation Form	BBA/SITPRO	Alg	Plain	147
Certificate of Insurance - Zurich International	Zurich Int	Rec	Print	149
Certificate of Insurance - Lloyds	Lloyds	Rec	Print	151

Alignment

- Alg - Invariably SITPRO aligned
- Allw - SITPRO format acceptable instead of the usual form
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- Print - Preprinted stationery must be used

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EDI - What's in it for my Organisation

Introduction

The purpose of this paper is to explain the benefits to companies of paperless trading using electronic data interchange (EDI).

Before doing this - and explaining EDI and the tools you will need to use it - the paper gives an explanation of the role of trade facilitation bodies, such as SITPRO in the UK, and the general benefits their work can give to traders and administrations.

Trade Facilitation

The purpose of trade facilitation is to remove the barriers to efficient trade so as to improve competitiveness and service to customers.

The use of information technology standards is fundamental to the facilitation of trade, with paper documents, use of computers and electronic messages.

Especially with the increasing globalisation of the supply chain in today's paper world a supplier cannot be certain that he is serving his customer effectively.

Why is this so? Currently most of trade is dealt with by paper documents such as purchase orders, invoices, transport contracts, letters of credit and payment instructions. This paper world is costly and inefficient. The total paperwork processing cost associated with an international trade movement, from the time the order is placed to the delivery of the goods and receipt of their payment, has been estimated to be 10% of the arrived value of goods. A significant cost which is often not fully budgeted for when the deal is done, with a high risk of variation due to the impact of errors and associated delays.

Simplifying the various components of trading practice - eg. purchasing, manufacture, logistics including stockholding and payments practices is, however, in itself not enough. The whole process needs to be a single managed activity.

The objectives of trade facilitation bodies, such as SITPRO, are therefore:

- to simplify the various elements of the trading cycle, and
- to integrate the order processing, distribution, payment and official processes. This is done by developing information technology standards, by negotiating simpler procedures and supplying high technology solutions. One of the latter is EDI.

Electronic Trading

Increasingly companies - and administrations - have computerised their business applications such as purchasing, stock control, export documentation etc. However, these in-house systems still produce paper to be sent to the next company in the chain. When these documents arrive at the next company they have to be re-keyed into that company's computer system, with associated costs and errors.

The use of EDI, however, allows data to be transferred direct between computers running in-house applications thus cutting out this re-keying and the risk of new errors as well as providing other benefits. This is why EDI is fundamental to the effective management of the supply chain and the trading and payment cycles.

What is EDI?

It is the electronic transfer of computer processable data relating to business or administration transactions using an agreed standard to structure the data.

Who can use it at benefit?

Any trader, service industry or administration that has a "business" need to receive and send timely accurate data to speed the relevant business transactions.

The benefits to users of using EDI are:-

- greater efficiency/lower costs
- accurate, fast information
- improved customer service
- better business practice
- trading efficiency

Before looking more closely at benefits and considering some examples, let us first take a brief look at what equipment you need to do EDI.

Tools for the Job

Firstly you need a computer; PC, mini or mainframe on which to run the application. Then you need standard messages, translation software and some form of communications media.

On message standards, there are two regional standards, ANSI X.12 from North America and TDI from Europe, and some large companies have proprietary standards. The international standard is UN/EDIFACT (United Nations EDI for Administration, Commerce and Transport). This is rapidly replacing the earlier standards.

Work on the EDIFACT standards started at the UN in 1986. By March 1993 there were some 52 messages which had been approved either as final or for trial use, 111 messages at the first stage of approval and many more in the pipeline. These cover trade, transport, finance, insurance and customs applications (see attached).

Regional UN/EDIFACT activities are operational in:-

- West Europe
- East Europe
- Pan America
- Asia and the Pacific
- Australia/New Zealand

The new African rapporteur is also in the process of setting up an EDIFACT Board for regional UN/EDIFACT activities in Africa.

On translation software the objectives are to:-

- be independent of application, transfer media and make of computer
- be as flexible as possible
- have minimal effect on the in-house computer application

Finally, you need a communications medium. EDI is also media independent. You can use magnetic tape, disks, direct links or the services of a valued added network provider. Increasingly users are using networks which can also provide other electronic services such as E-Mail and access to data bases.

In the total electronic trading environment the company can use E-Mail for interpersonal messages, EDI for structured business data (electronic forms) and data bases for interrogation of information systems such as to find out market and product information, currency rates, stock levels, logistical requirements etc.

EDI Benefits

The benefits of EDI are that it:

- reduces trading costs
- improves customer service
- allows the introduction of new business strategies

Reduces Trading Costs

- eliminates manual re-entry of data
- reduces impact of errors
- reduces working capital
- generates cash flow

Improves Customer Service

- access to stock/production records
- faster reactions
- timely deliveries
- meeting customer requirements

New Business Strategies

- Just-in-time deliveries
- changed practices
  - no invoices
  - payment methods
  - presentation of data

How to Implement EDI

Get information about EDI from specialist organisations, EDI suppliers, conferences, briefings, brochures, books, magazines etc.

Do research into your own business practices; identify which of your customers and suppliers of goods and services (eg. banks, carriers etc) can do/want to use EDI in your business; identify priorities.

Plan EDI pilot with one/few main business partners. Identify 1/2 messages for pilot; develop a longer term plan with added messages/business partners.

Manage EDI pilot and further developments, ensuring that your business requirements are being met. Implementing EDI is 80% management and 20% technical.

Conclusions

EDI is a reality and brings major benefits.

EDI is growing fast (over 7000 users in the UK, many more in the rest of Europe, North America, Asia Pacific, Australia and New Zealand).

The use of EDI is revolutionising national and international business practice.

Global UN/EDIFACT standards are available.

As you consider your investment in EDI, please bear in mind 3 points:-

- don't re-invent the wheel
- do consider future external requirements
- adopt international standards, they are your best guarantee that your investment will be effective.